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Approved For Release 2005/03/24 : CIA-RDP84T00316R000100090009-0

26 December 1979

MEMORANDUM FOR: Director, National Foreign Assessment Center

FROM: James P. Lynch
Chairperson, CHALLENGE Steering Group

SUBJECT: Report on Meeting of CHALLENGE Steering Group,
20 December 1979 [REDACTED]

ATTENDEES: Steering Group Members
James P. Lynch, D/GCR, Chairperson
R. E. Hineman, DD/NFAC

25X1 [REDACTED] Acting D/OER
DD/OIA

25X1 Non-Members
[REDACTED] Management Staff, NFAC
Project Officer/Petroleum Analysis
Project (PAP)

25X1 [REDACTED] Ch/ERAC/OGCR
25X1 [REDACTED] Ch/PSAC/OER
PSAC/OER

*Shirley make
a file copy
of this before
it goes to
ERD.*

1. The following topics were discussed at the subject meeting:

a. Status of Funding. Chairperson asked [REDACTED] to outline available funds for PAP contracts. [REDACTED] indicated [REDACTED] had been received from OER, [REDACTED] was en route from DOE via OER, and another [REDACTED] was expected from DOE by early January. On that basis, a [REDACTED] contract proposal for the engineering work is already being processed through NFAC management. A discussion of the available funding options ensued (Attachment A), with the Chairperson recommending Option 2 [REDACTED] for FY 1979). [REDACTED] stated there would be a program spending review in late January, at which time he felt confident the additional [REDACTED] could be identified--though there might be strong competition from elsewhere in NFAC for the available monies. The principal impact of reduced funding would be a delay in the program schedule.

Action: DD/NFAC concurred in the selection of the [REDACTED] target and directed [REDACTED] to conduct the search for funds during the January review. The initial contract for [REDACTED] will be let immediately. [REDACTED]

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21 December 1979

b. Work Plan Through 1981 (Attachment B). Analytical priorities for the work plan presented by OGCR were discussed and it was agreed that the work on Soviet fields should receive the highest priority in view of the international economic situation. [] indicated that the work on [] and other important Soviet fields was essential for accurate analysis in OER of Soviet petroleum production/balance of trade. [] indicated in response to a question by [] that work on key Chinese fields could be delayed, but that there were several valid reasons--including NSA collection commitments and the need to demonstrate the worth of the collection efforts to NSA--to conduct the Chinese assessments.

what kind of rationale is this? →
Action: The Petroleum Analysis Project will initially proceed with full attention to Soviet assessments. Data collection on China will continue but the merits for completing the assessments will be reviewed at a later date. []

what do we do about this? |
c. R&D Requirements for NFAC Resources. Based on a meeting with D/ORD, the Chairperson reported that ORD programs for FY 1980 would not require the participation of PAP resources. He cautioned, however, that there are a number of ORD programs outside of the scope of the PAP work which presume the involvement of NFAC resources, either as participants in the R&D effort or as commitments to execute the program once they are developed. In many cases, NFAC is unaware of this hidden resource agenda.

Action: A review of ORD's energy program will be undertaken under the auspices of NFAC's Energy Steering Panel. The more general issue of NFAC's commitments to R&D programs and products should be addressed using the current NFAC/DDS&T mechanism for identifying R&D support to NFAC. []

2. Agenda items for the next Steering Group meeting:

- a. Briefing on PAP methodology.
- b. Program and funding review. []

[]
James P. Lynch

Attachments: 2
As stated

cc: Each Attendee

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PETROLEUM ANALYSIS PROJECT
FUNDING OPTIONS

The uncertainty of FY 1980 funds availabilities for the Petroleum Analysis Project led the CHALLENGE Steering Panel at its meeting on 21 November to direct the preparation of an options paper identifying and examining a range of funding options, varying from a fully-funded scenario at the [] level to a split-funding scenario at the [] level in which FY 1981 funds would be used for the last three months of calendar year 1980. Given this range, five options emerge. The advantages and disadvantages of each of these options (which are arranged in sequence according to their impact on the Project's ability to accomplish its mission and work plan as defined in the previous section) are examined below. []

Option 1-- [] (Full funding) for the Period 1 January to
31 December 1980

This option would provide for full implementation of the work schedule associated with the Field Assessment Plan already defined. []

Advantages:

--Optimal utilization of contractors and personnel resources available to the Project

--It would provide a suitable production year as the basis for a fair NFAC evaluation of the merits of continuing this type of approach to petroleum analysis []

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Disadvantages:

25X1 --[] would have to be shifted to PAP from other NFAC external-fund programs in FY 1980 [] 25X1

25X1 Option 2-- [] for the Period 1 January to 30 October 1980

Under this arrangement, the monthly spending level through FY 1980 would be approximately the same as under Option 1, but funds for the last three months of CY 1980 would have to be obtained from FY 1981 fiscal resources. [] 25X1

Advantages:

--Work scheduling would not be significantly disrupted in the Project for the first nine months of CY 1980

--Desired levels of effort would remain the same as under the full-funding scenario for FY 1980, and appropriate training and travel could be accomplished [] 25X1

Disadvantages:

25X1 --[] would have to be shifted to PAP from other NFAC external-fund programs in FY 1980

--Work scheduling would probably be disrupted at the beginning of FY 1981, as new FY funds are not usually released until November or December, and contract implementation would require additional delays; such a disruption could occur at a critical time just before the 1981 Project review. [] 25X1

25X1 Option 3-- [] for the Period 1 January to 31 December 1980

The monthly spending level under this arrangement would be reduced approximately 25 percent throughout CY 1980. [] 25X1

Advantages:

--Contractor scheduling could be more flexible, allowing for unanticipated changes in the basic assumptions underlying the work plan

--More time would be available for internal staff training and work on spin-off projects/short analysis articles ☐

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Disadvantages:

--Reduced contractor availability due to funds limitations would result in the following changes to the work schedule:

April 1980--Complete ☐
November 1980--Complete ☐
April 1981--Complete ☐
September 1981--Complete ☐

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25X1 - ☐ would still have to be shifted to PAP from other NFAC external-fund programs in FY 1980

25X1 --Contract monitoring work by the staff and professional training would be reduced and/or delayed until FY 1981 funds are available ☐

25X1 Option 4-- ☐ for the Period 1 January to 30 October 1980

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The monthly spending level under this arrangement would represent a 34 percent reduction from the full funding level. ☐

Advantages:

--No disruption of funding for other NFAC programs

--PAP staff could accomplish considerable front-end collateral and geologic analysis work for fields to be studied in FY 1981 (assuming full funds are available for FY 1981) ☐

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Disadvantages:

--Reduced contractor availability due to funds limitations would result in the following changes to the work schedule:

May 1980--Complete [REDACTED]
January 1981--Complete [REDACTED]
July 1981--Complete [REDACTED]
December 1981--Complete [REDACTED]

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--Contract monitoring work by the staff and professional training would be delayed until FY 1981 funds are available

--NFAC assessment in the January 1981 review would have to be based on significantly reduced capabilities for the Project

--Work scheduling would probably also be disrupted at the beginning of FY 1981, as in Option 2 above, with the same effects

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Option 5-- [REDACTED] for the Period 1 January to 31 December 1980

The monthly spending level under this arrangement would represent a 50 percent reduction from the full funding level.

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Advantages:

--No disruption of funding for other NFAC programs

--One photointerpreter would be free to work at least half-time on other projects for PAP or his parent office

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Disadvantages:

--Reduced contractor availability due to funds limitations would result in the following changes to the work schedule:

June 1980--Complete [REDACTED]
April 1981--Complete [REDACTED]
Remainder of schedule dependent on FY 1981 funding

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--No training or contract monitoring travel during 1980

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--NFAC January 1981 review would be based on a work capability reduced by approximately 60 percent from the optimal level of effort [REDACTED]

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PETROLEUM ANALYSIS PROJECT
FIELD ASSESSMENT PLAN

Until now, the field assessment work accomplished by Project CHALLENGE has proceeded in a manner that would both satisfy DD/S&T/ORD research and development objectives and provide significant intelligence on key Soviet petroleum-producing fields. The status of field assessment work to date is as follows:

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Initial analysis work on [REDACTED] including prediction scenarios for Soviet-planned installation of gas-lift equipment, was completed in June 1978. Monitoring of production data and further Soviet development of this field, which accounts for 25% of their petroleum production and is of critical import to their future plans, showed the need for further analysis; a revised assessment taking into account infill drilling and a number of other new assumptions was completed in November 1979.

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Analytical work on [REDACTED] the second largest producing field in the USSR, has been completed, and the Field Analysis Report will be completed in typescript in the next several weeks. The size, complexity, and "age" (in terms of its advanced position along the production curve) of this field dictated a modified analytical approach: rather than using a full numerical reservoir simulator for the whole field, other forms of intensive assessment (analogous area studies and

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decline-curve analysis) were employed to obtain the conventional recovery forecast. A selected portion of the field was, however, simulated to provide a basis for use of a special enhanced-recovery model to forecast the effect of Soviet plans to employ CO₂ injection techniques there in the future.

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Collateral research and preliminary subsurface-geologic analysis for [] the third largest Soviet field, are essentially complete, and during December initial photogeologic and engineering analysis will begin. []

Future Field Assessment Work

From the production viewpoint, an optimal field assessment plan for the Petroleum Analysis Project would be predicated on the following assumptions:

- Maximum contractor involvement with full funding
- A PAP team consisting of a manager, geologic analyst, collateral analyst and three trained PI's (all full-time)
- Timely completion of external front-end analysis work in USGS, and of collection efforts in other Agency components
- Adequate ADP support at the appropriate time
- Minimal diversion of personnel resources to other work
- Availability of sufficient data to preclude radical shifts in analytical direction and the attendant delays []

Given these assumptions, the Project analytical team should be able to accomplish the following work schedule, in which work completion dates are listed:

January 1980--Complete [] analysis and Field Analysis Report (FAR)

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